



# Wealth Management: Solutions made in Luxembourg



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# **Wealth Management: Solutions made in Luxembourg**

**■ Introduction**

**■ Private Banking and wealth management**

**■ Estate and Tax Planning Tools**

**■ Life Insurance Solutions**

# Introduction





# Wealth Management

## **Luxembourg compared to other financial centres**

- Full range of products and services
- International environment
- Investor protection
- Comprehensive solutions
- Specialist service providers
- Competitive fee structure
- Interesting tax framework



# Wealth Management

## **Tax and regulatory framework**

- EU passport
- Investor protection
- Protection of private sphere, bank secrecy
- Competitive fiscal framework
- Prevention of money laundering
- Deposit guarantee scheme



# Products and Services

## **A complete range of products and services, complementary to the local offering:**

- Corporate Vehicles
- Estate Planning
- Fiduciary Services
- Fund Solutions for HNWIs and Families (Sif, Sicar, SPF)
- Powerful tools for wealth managers and Family Offices
- Fiduciary Contracts
- Life Insurance

# Luxembourg Investment Vehicles



# Withholding Tax Optimisation

**INVESTOR**

**&**

**TARGETS/INVESTMENTS**

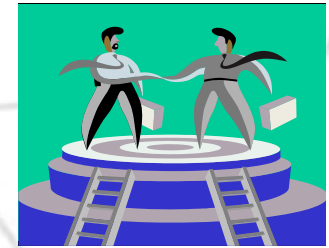


**Poland**



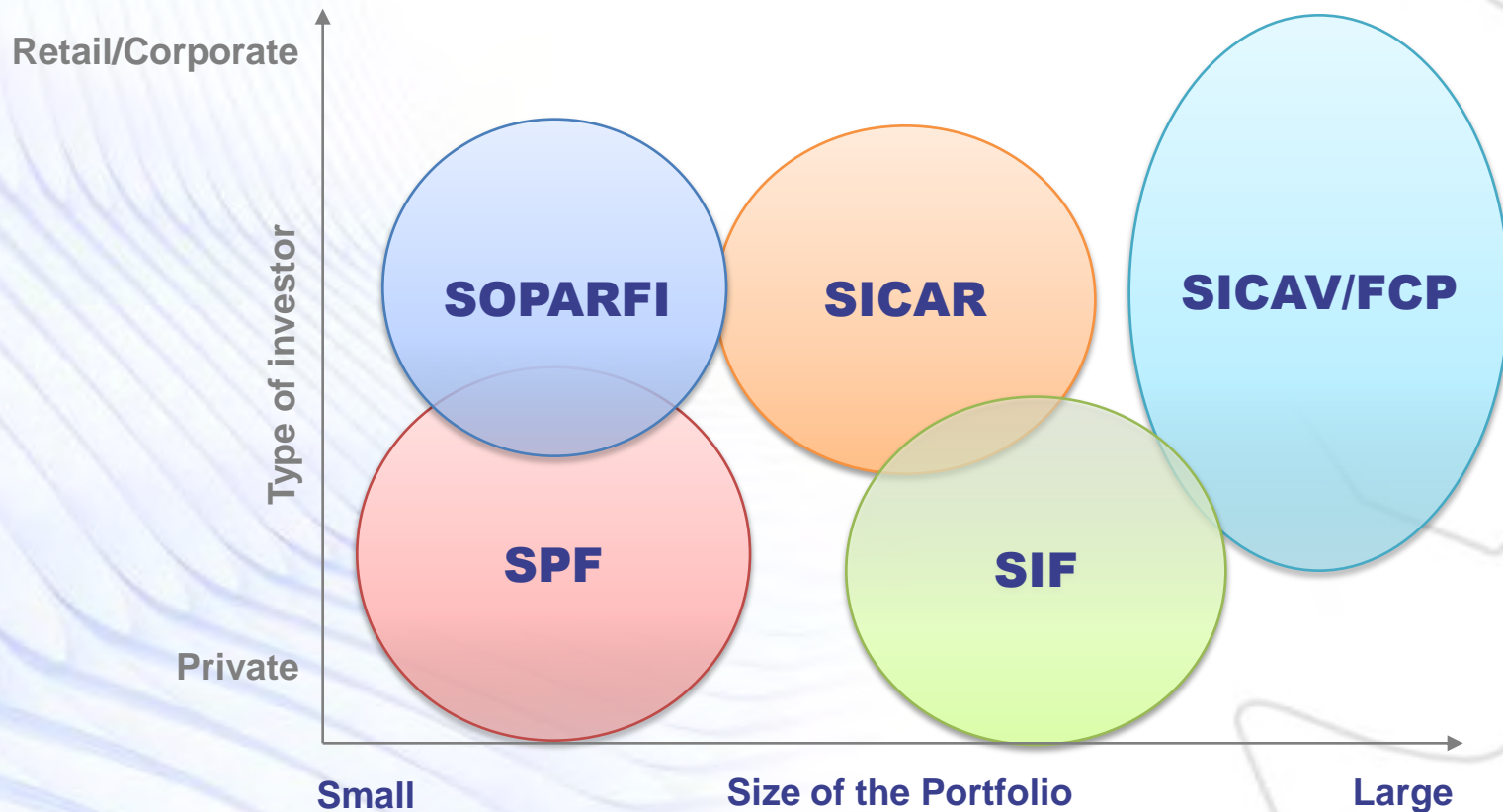
- **WHT on dividends 15%**
- **WHT on interest and royalties 0/15%**
- **No capital gains taxation in Luxembourg**

**Poland**



- **WHT on dividends 0%**
- **WHT on interest and royalties 5-0%**
- **No capital gains taxation?**

# Choosing the right investment vehicle



# Investment vehicles available in Luxembourg

■ **FCP**

■ **SICAV**

■ **SICAF**

■ **SIF**

■ **SICAR**

■ **SECURITIZATION**

■ **SOPARFI**

■ **SPF**

**Full regulation**

**Lighter regulation**

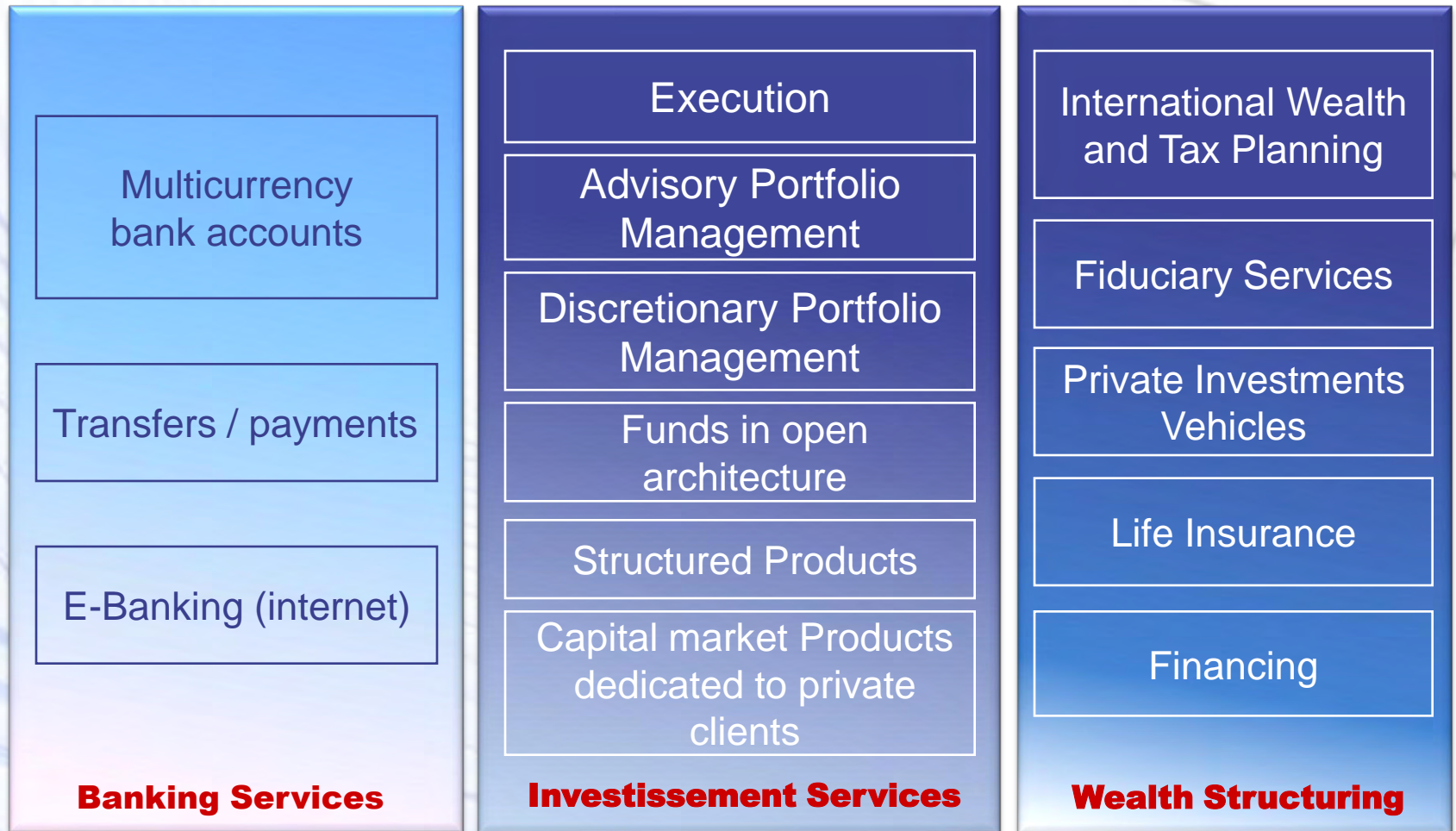
**No regulation**

# Regulated entities

## Overview of vehicles

- **FCP** - **Contractual agreement, fiscally transparent**
  - **SICAV** - **Investment companies with variable capital, access to some DTT**
  - **SICAF** - **Investment companies with fixed capital, access to some DTT**
  - **SIF** - **Investment company reserved to qualified or institutional investors**
  - **SICAR** - **Investment company in venture capital and private equity, access to DTT, corporation or limited partnership**
- *Risk capital* is the “direct or indirect contribution of funds to entities in view of their *launch, development* or *listing* on a stock exchange”.

# Single Platform for Global Solutions...



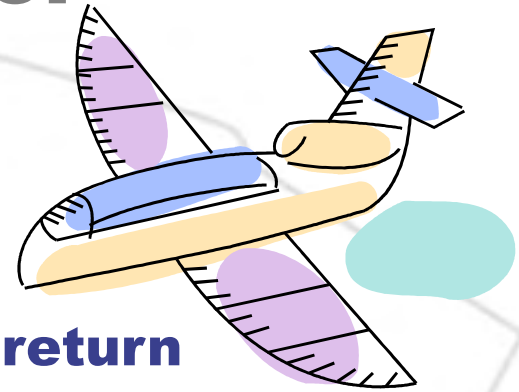


# **...Designed for international wealthy people**

**(and those who advise them)**

- Families splitted around the world**
- Investors outside Czech Republic / Poland :  
real estate, private equity, ...**
- Entrepreneurs wanting to internationalize  
their business**
- Family offices or asset managers seeking a cross  
border platform complementary to their local providers**

# Expertise next to your door



## ■ 2 Daily flights Warsaw – Luxembourg and return (via Berlin)

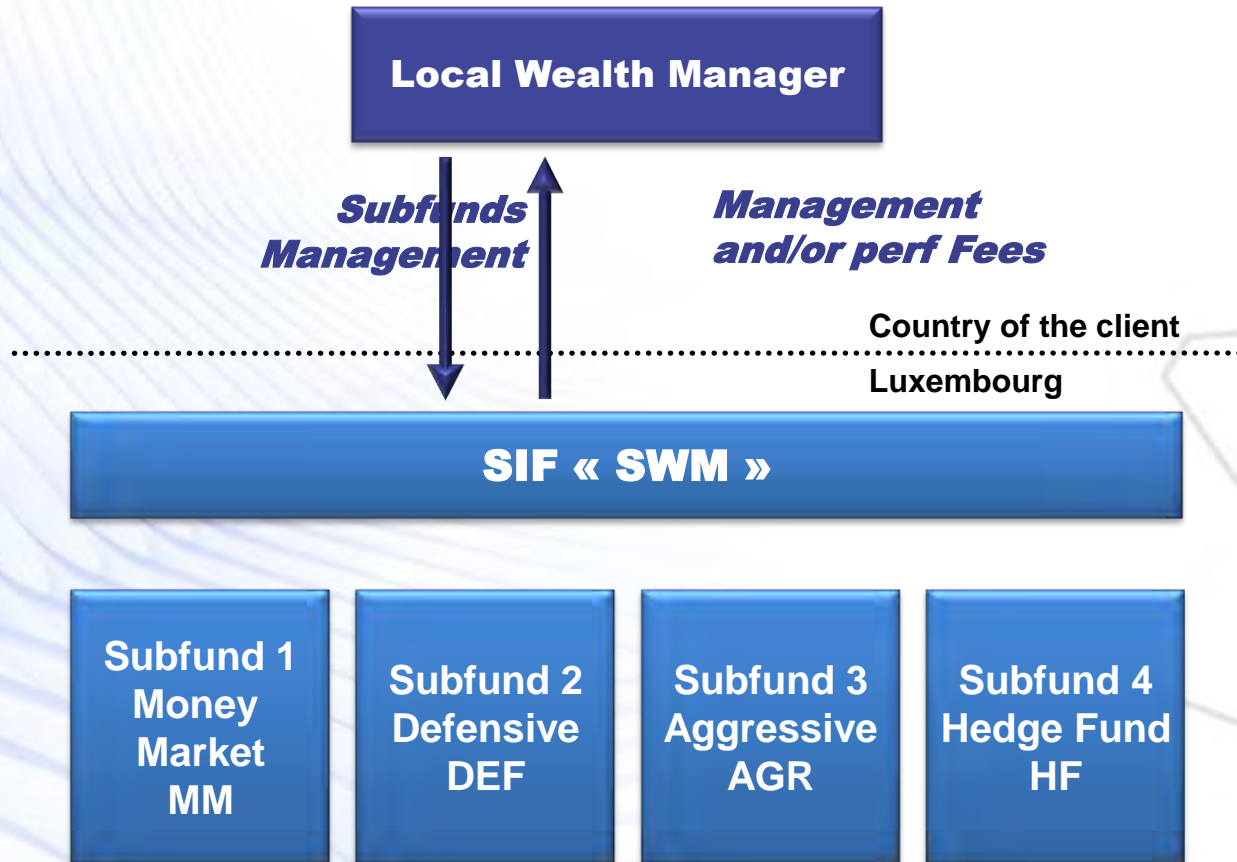
Dep Warsaw 06h45 + 17h20      Duration : 3h20

Dep Luxembourg 06h35 + 18h05

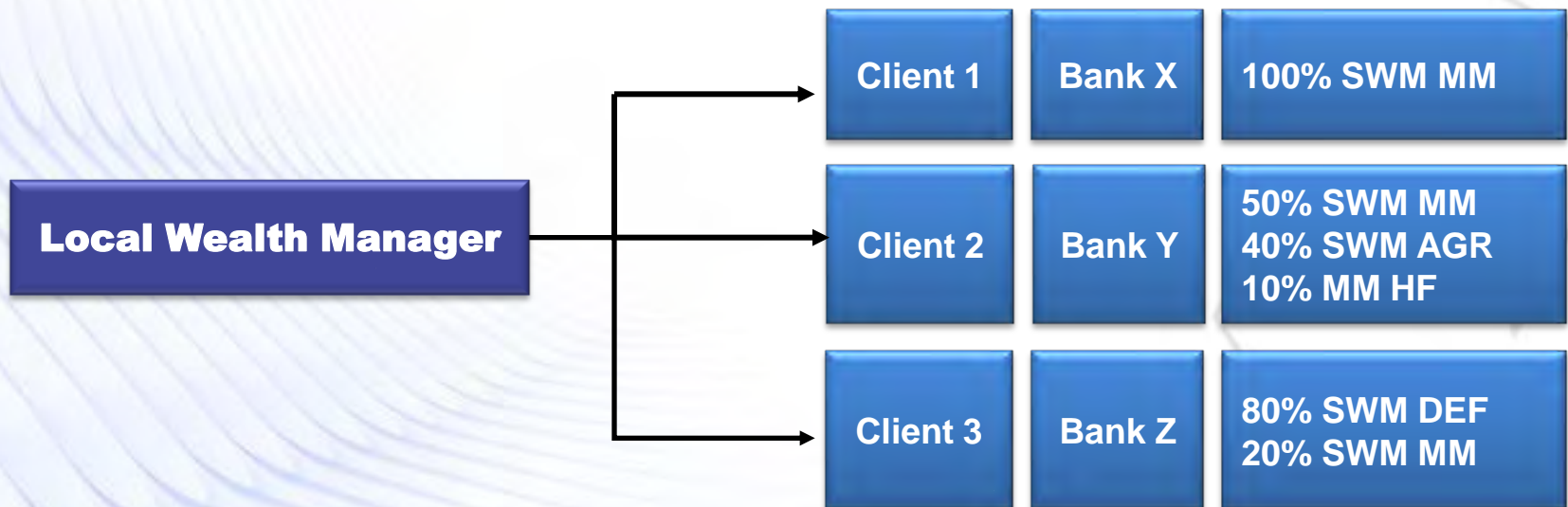
## ■ 15 min to get to city center

## ■ 12 Michelin® stars Restaurants

# Illustration : SIF, a «must have» for Wealth Managers



# Illustration : SIF, a «must have» for Wealth Managers

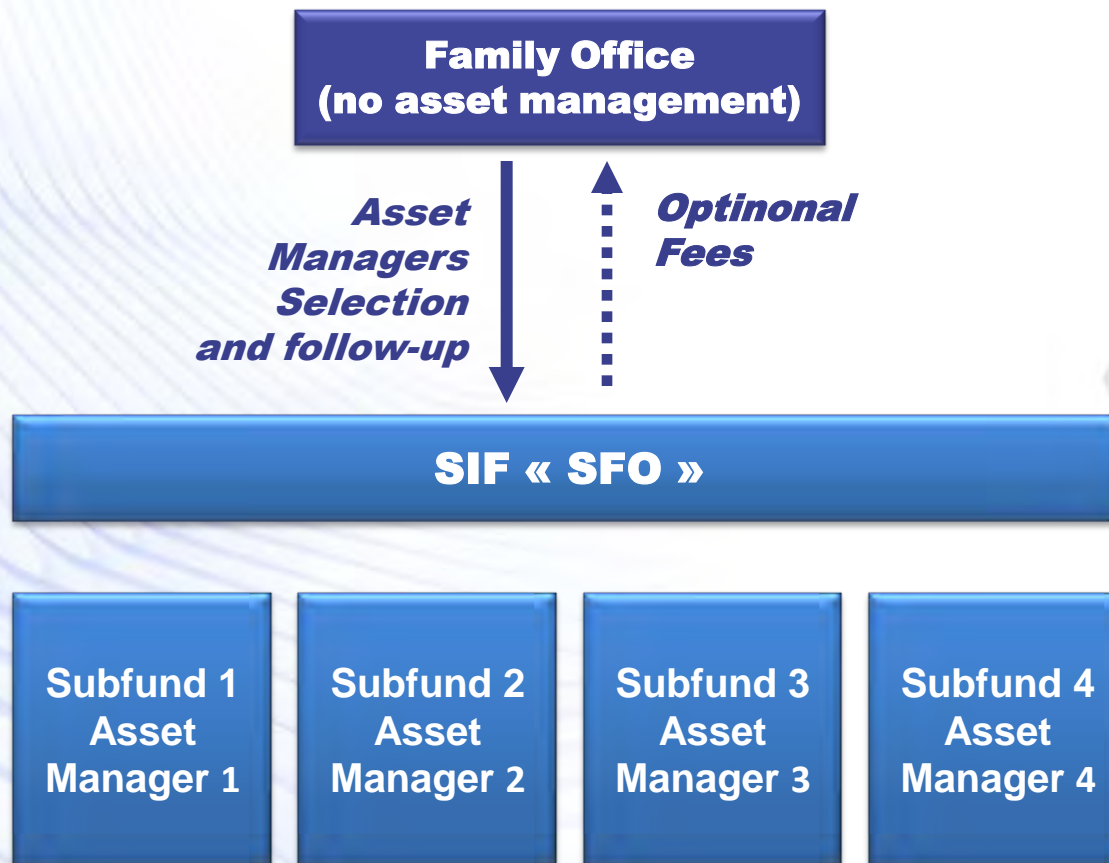


## **Strengths :**

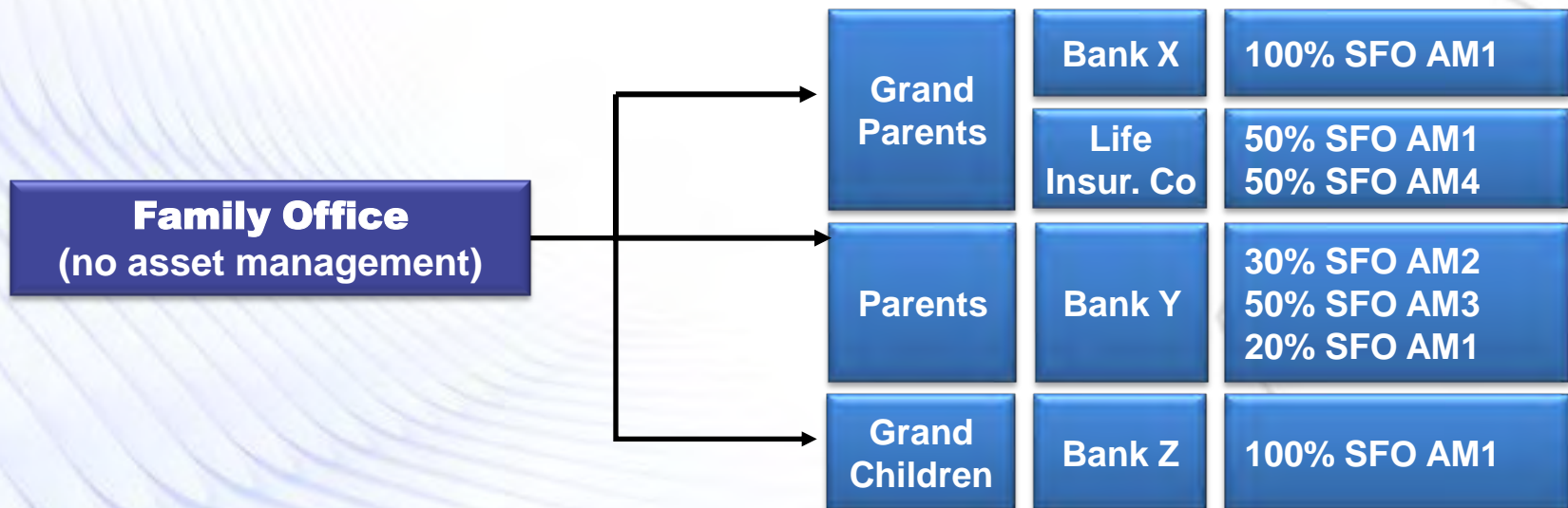
For the client : no bank change, fund regulation, steady independant net asset value (NAV)

For the Wealth Manager : Easy and powerful fee handling, independant reporting and NAV, administrative time gain, WM can focus on asset management and client relationship

# Illustration : SIF, a « must have » for a Family Offices



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## **Strengths :**

For the client : no bank change, fund regulation, steady independant net asset value (NAV)

For the Wealth Manager : Easy and powerful fee handling, independant reporting and NAV, administrative time gain, WM can focus on asset management and client relationship

# Taxation of a SIF

**Capital gains not taxable in Luxembourg for non resident investors**

**No corporate income tax**

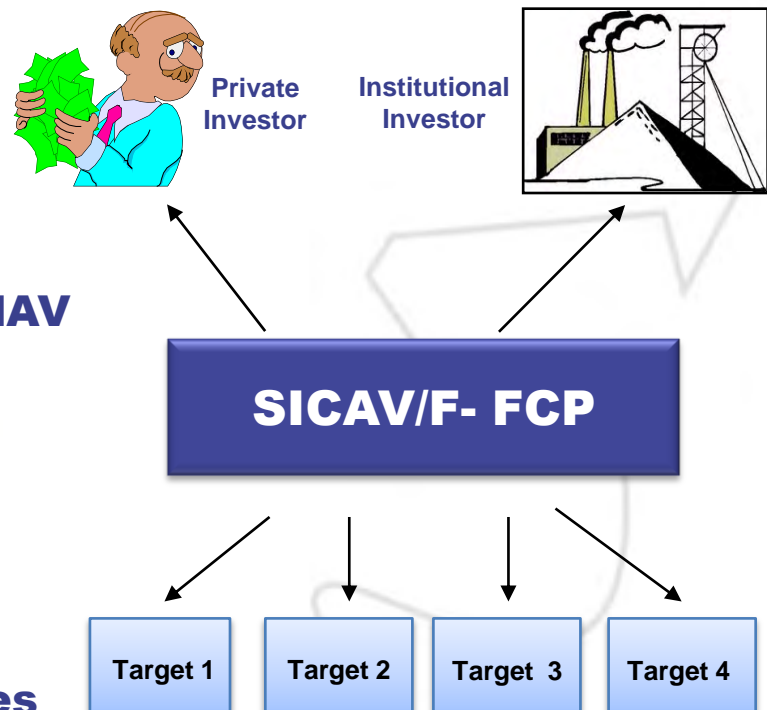
**No withholding tax on dividend distributions and liquidation proceeds**

**European Savings Directive applicable**

**Annual subscription tax 0,01% on the NAV (common regime) except for:**

- Investment in other Luxembourg UCIS being subject to subscription tax
- Institutional cash UCIS
- Pension pooling funds

**VAT exemption on management services**



# Taxation of a SICAV/SICAF

**Capital gains not taxable in Luxembourg for non resident investors**

**No corporate income tax**

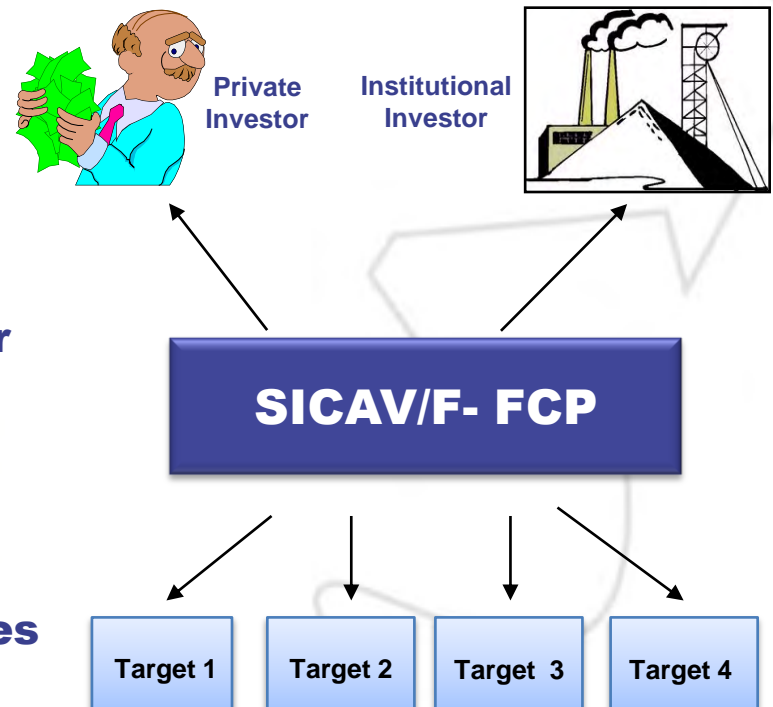
**No withholding tax on dividend distributions and liquidation proceeds**

**Annual subscription tax 0,05% on the NAV (common regime) except for**

- Investment in other Luxembourg UCIS being subject to subscription tax
- Institutional cash UCIS
- Pension pooling funds

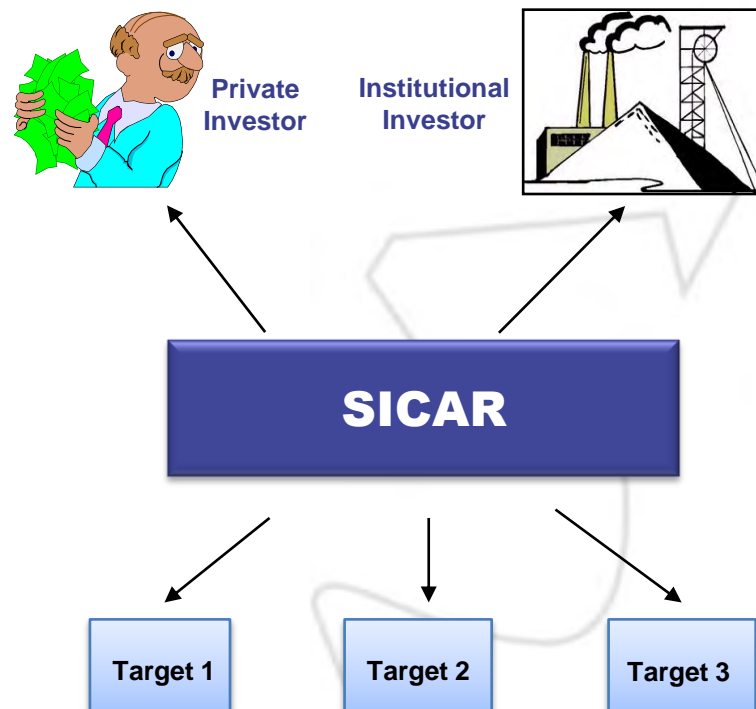
**VAT exemption on management services**

**European Savings Directive applicable**



# Taxation of a SICAR (corporate entity)

- **No Luxembourg taxation on the disposal of shares by foreign investors**
- **For Luxembourg Investors: application of participation exemption regime and partial exemption regime**
- **No WHT on distributions**
- **Fully taxable (28,59%) but exemption of income from transferable securities**
- **Treaty access**
- **Possible benefit from treaties and EU Directives for exemption or reduction of WHT**



# Non regulated entities

## Overview of vehicles

### **Soparfi**

- **Corporate entity that may benefit from the double tax treaties signed by Luxembourg. Used to hold important participations and to undertake financing activities**

### **SPF**

- **Corporate entity that may not benefit from the double tax treaties signed by Luxembourg**

### **Securitization Company**

- **Corporate or transparent entity**

# Non regulated entities

## OVERVIEW / TAX RULES

### Dividend and capital gains tax exemption if:

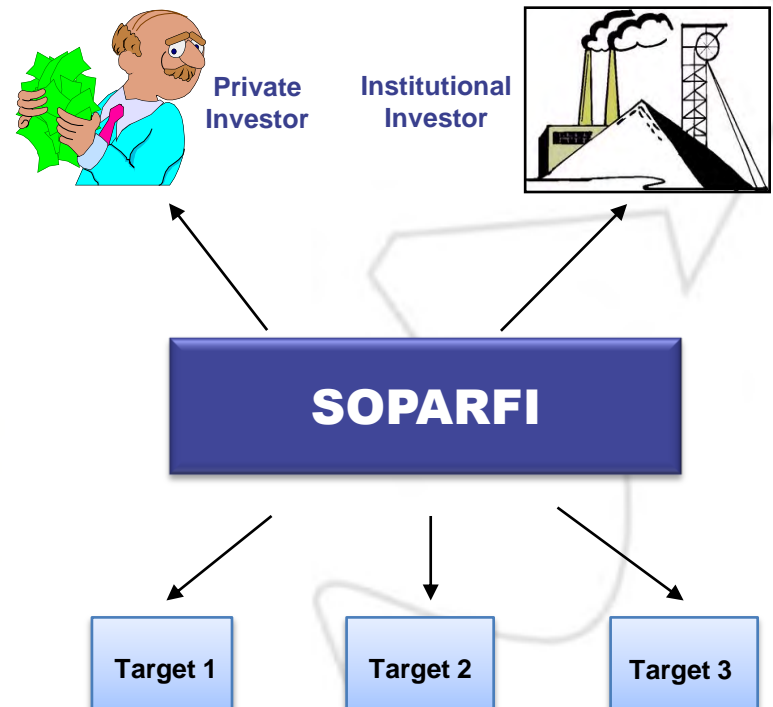
- Participation of at least 10% (or acquisition cost of at least €1.2m/€6m for capital gain exemption)
- Holding period 12 months
- Target is subject to tax

### Interest taxed at 28,59%

### No WHT on interest payments

### No WHT on dividend distributions under some conditions

## SOPARFI (SOCIETE PARTICIPATION FINANCIERE)

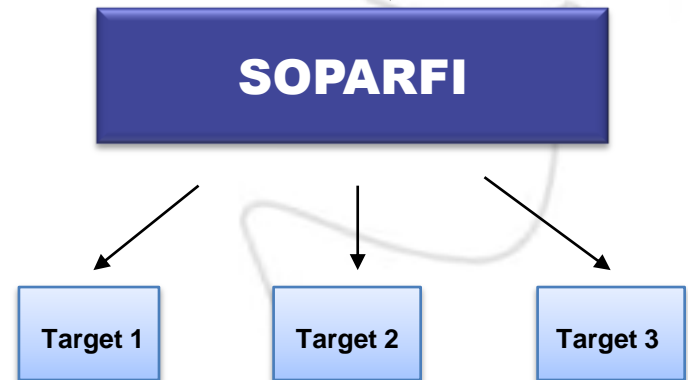


# Non regulated entities

## OVERVIEW / TAX RULES

- **No corporate income tax**
- **No withholding tax on dividends and liquidation proceeds**
- **0,25% subscription tax (with a maximum of 125.000€)**
- **SPF does not benefit from double tax treaties and the EU parent-subsidiary directive**
- **Tax regime is not applicable if in the relevant year 5% of the total dividends come from unlisted and non-resident companies not subject to a tax similar to Luxembourg corporate income tax**

## SOPARFI (SOCIETE PARTICIPATION FINANCIERE)

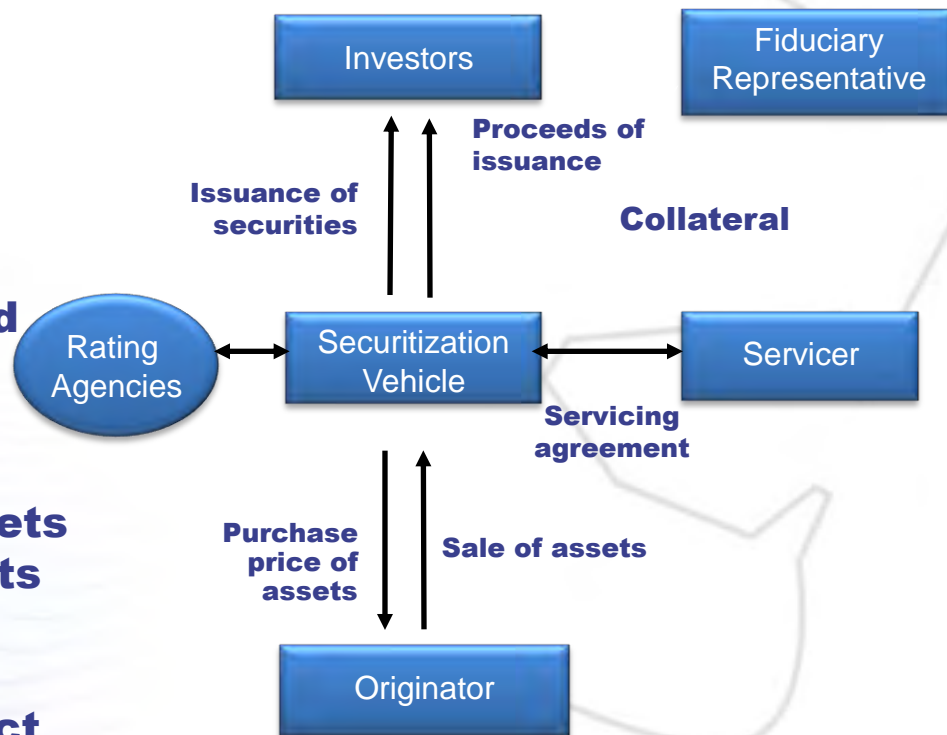


# Regulated/non regulated entities

## Tax treatment

- **Originator transfers assets to the securitization vehicle in exchange for cash**
- **Securitization is financed by the issuance of securities backed by the assets transferred and the income generated by those assets**
- **Cash flow generated by the assets is redirected to support payments to investors**
- **Securitization vehicle can deduct payments to its shareholders**
- **Not subject to net wealth tax**

## Securitization



# What you can achieve using Luxembourg?

- **Dividend income received is exempt**
- **Capital gains on shares are exempt**
- **Liquidation proceeds received upon liquidation of local investment Cos are tax exempt**
- **Interest income fully taxable (exempt if regulated fund is used) but interest payment fully deductible:**
  - taxation on a small margin
  - tax cost is limited



# What you can achieve using Luxembourg?

## Repatriation of profits free of withholding taxes when:

- FCP, SICAV, SIF or SICAR is used
- WHT exemption under the participation exemption regime or
- Use of convertible redeemable instruments (convertible bonds or convertible PECs)

## The use of quasi-equity instruments can enhance the debt to equity ratio management

## No transfer tax cost:

- On the sale of foreign real estate
- On the sale of shares in property Company



# Financial instruments

■ **Straight loans: interest is generally not subject to WHT**

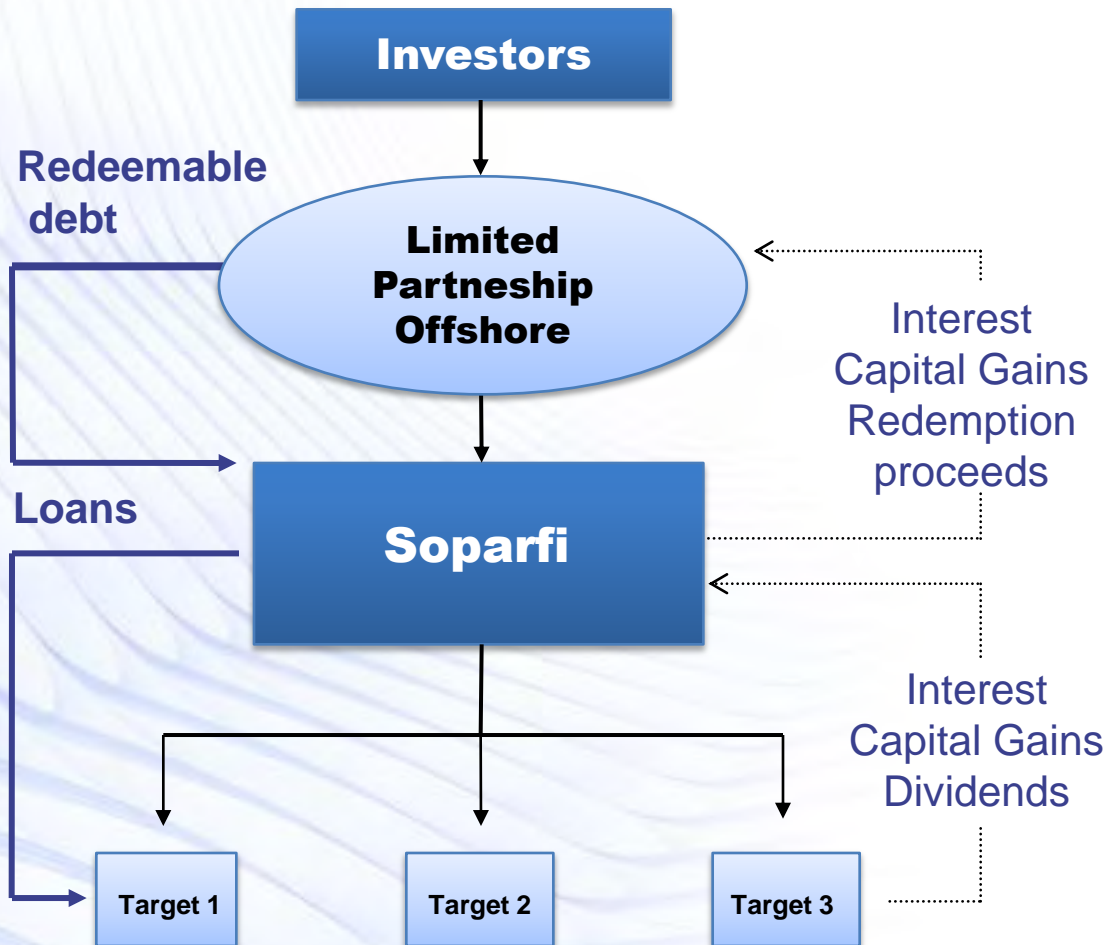
■ **Redeemable convertible bonds and PECs (convertible into shares)**

- Increase of the market value of the shares means increase of the value of the convertible debt
- Redemption of the convertible bond at market value is a way to repatriate cash out of a Luxembourg Company, free of withholding tax

■ **Interest Free debt (loans/PECs, etc):**

- considered as equity for debt-equity ratio purposes
- enhances the management of the debt to equity ratio

# Structuring real estate investments via foreign LP using unregulated entity



- **No withholding tax on interest payments and payments of proceeds from debt redemption**
- **Exemption of dividends, capital gains and liquidation proceeds at holdco level**
- **No dividend withholding taxes in Poland under the EU parent subsidiary Directive**
- **5% withholding tax on interest payments**

# Substance issues

**From an internal Luxembourg tax point of view, a company is considered as tax resident in Luxembourg and can get a tax residence certificate if:**

- The company is incorporated in Luxembourg OR
- It has its central administration in Luxembourg

**BUT**

**In an international context, Luxembourg has to be the place of effective management since it is the criteria generally seen in Double Tax Treaties**

**SUBSTANCE IS AN IMPORTANT ISSUE!**

# Substance issues

## Development of European CFC rules and anti-avoidance provisions

- Substance is getting more and more important
- Grouping all the European investments in a single vehicle helps to evidence the existence of an “Active” business
- Hiring employees and having office in a single country is easier to manage and cost effective

## In addition to the substance elements, diversification of the activities of the company is sometimes required as pure holding activity may be seen as a “Passive” source of income

- Development of intra-group services, i.e. investment advisory, group reporting, accounting

# Key recent developments

- **Capital duty was abolished in 2009**
- **Dividend WHT exemption regime was extended to distributions made to companies resident in a country with which Luxembourg has concluded a DTT (52 DTTs in force as of today)**
- **Corporate Income tax rate was reduced from 29,63 to 28,59% in 2009**
- **New IP regime (80% exemption of income from certain IP rights and exemption of such rights for NWT purposes)**
- **Improvements to the SICAR regime**
- **Luxembourg keeps on expanding its DTT network (Hong-Kong, Kuwait, UAE, India, etc)**



# Conclusion

- **Luxembourg is a primary place for investing in Europe**
- **Luxembourg offers a wide range of attractive vehicles for individuals (and institutional) investors that can be tailored to their specific needs**
- **Luxembourg political, legal and tax environment is stable and favorable**

# Life insurance solutions



# Life insurance and freedom to provide services (FPS)

## ■ The Treaty of Rome (1957)

- Definition of the 4 freedom principles of the European Community:
  - Free movement of persons,
  - Free movement of goods,
  - Free movement of capital,
  - Free provision of services

## ■ First directive „Life“ (2nd March 1979)

## ■ Second directive (20th May 1993)

# Life insurance and freedom to provide services (FPS)

## Third directive „Life“ (1st July 1994)

- Definition of cross border FPS
- Authorization for a life insurer to sell products on the whole territory of the EU with no more references to „active“ or „passive“ FPS.
- The national authorization to perform insurance activity is recognized in the whole EU as a “European passport”.
- The conditions to have an access to a market are simplified, a sole notification to national control authority is sufficient (“Home country control”).

# Life insurance and freedom to provide services (FPS)

## Third directive „Life“ (1st July 1994)

### Luxembourg

- The prudential authority is the one of the country of origin of the company for any activities.
- Principle of „home country control“.

### EU member state

- Taxation, civil laws, commercial laws and protection of the customer are the ones applicable in the country of residence of the policyholder (= country of destination) on subscription date.

# Unit-linked life insurance in Luxembourg

## Luxembourg : prudential framework

- Insurance companies have to be agreed before starting their activity.
- Segregation of assets : laws of Luxembourg impose that the assets of the policyholders («regulated assets») are segregated from the assets of the insurance company («free assets»).
- Technical reserves are represented by equivalent assets in term of quality and quantity.
- The segregated assets are listed in the permanent inventory (article 37) controlled on a quarterly basis by the Luxembourg insurance authority CAA.
- The Luxembourg Insurance authority CAA signs the custodian agreement with the bank and the insurance company.



# Unit-linked life insurance in Luxembourg

## ■ Privilege of the Policyholder

*(Law of the 6th of December 1991, article 39)*

- The segregated assets representing the technical provisions of the insurance company are segregated assets. The Policyholder or the beneficiaries own a super privilege on the assets of the contracts in order to guarantee the payment of the debt of the insurance company towards the policyholder.
- This privilege is above any other as soon as the assets are listed in the permanent inventory (article 37).

# Unit-linked life insurance in Luxembourg

## External funds (Multi support) - UCIT

- The insurance company is using external funds as financial underlying for the policy.
- Shares of these funds are the units of the contracts.

## Internal collective funds

- These are funds created inside the assets of the insurance company. However, the assets of the internal funds are accounted separately. The insurance company is assuming directly the administration of the funds or can delegate it to a third party. The shares of the funds are accessible directly to the clients of the company via an insurance contract only.
- The ideal solution for strategic portfolio management!



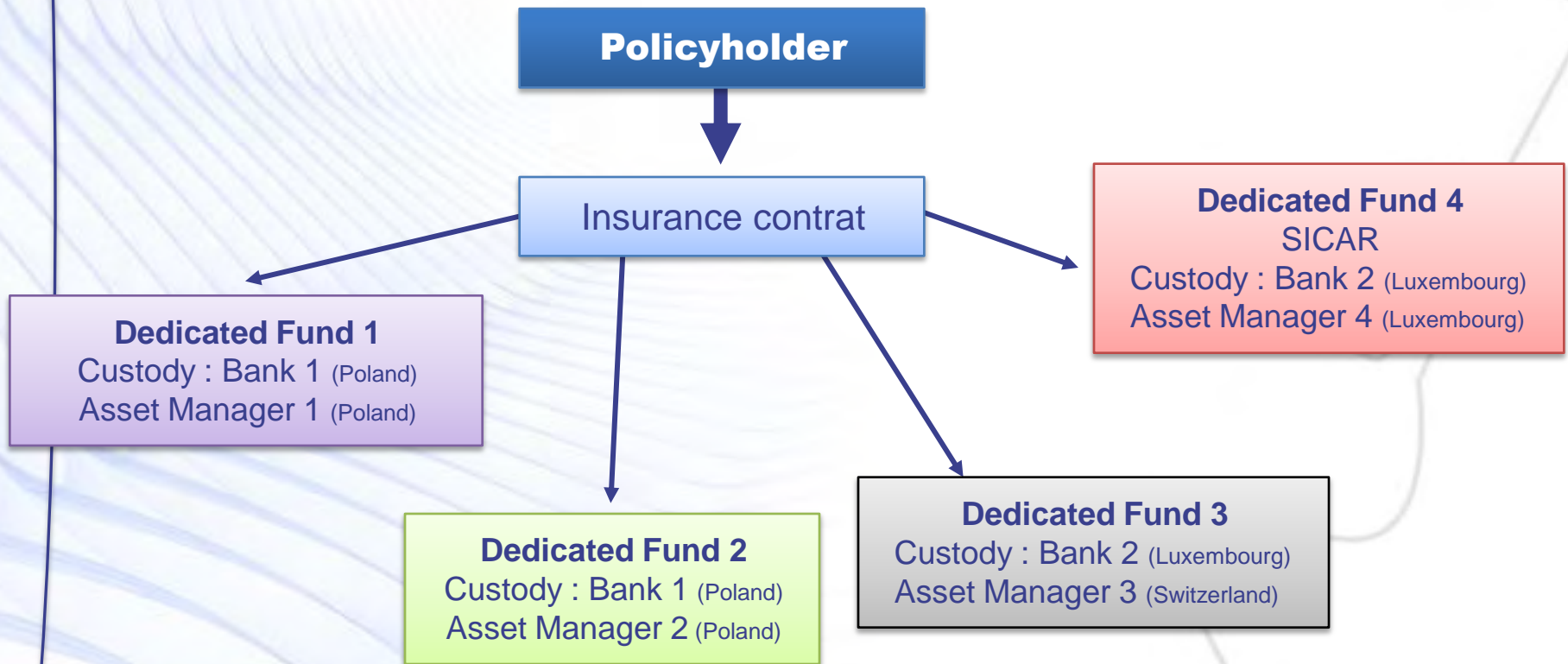
# Unit-linked life insurance in Luxembourg

## Dedicated funds

- The dedicated fund is an internal fund dedicated to one policyholder or to a family. The range of assets allowed in the dedicated fund is very large (any investment product defined by MIFID including listed or non listed company, holding company, SIF, Soparfi, Sicar...).
- Investment limits are set to protect the policyholder if his/her fortune is lower than 2.500.000 EUR.
- Possibility to create several dedicated fund for one client with different custodian Banks in Europe and different asset managers worldwide.

# Unit-linked life insurance in Luxembourg

## Case study 1 Managing Portfolios



# Unit-linked life insurance in Luxembourg

## Case study 2 Significant Stakeholder

- Client S. owns significant stakes in listed or not listed companies
  - Low dividend policy
  - Very low valuation due to present market condition
  - Will probably sell his/her stake when the companies will be mature
  
- Client S. sign an Insurance agreement
  - Payment in kind as well as in Cash of the insurance premium
  - Capital gain tax paid by the client
  - Transfer tax (when applicable) paid by the insurance company
  
- Client S. owns a debt towards the insurance company
  
- Significant stake hold in a efficient insurance vehicle.

# Unit-linked life insurance in Luxembourg

## Case study 3 International Planning

- Clients Z. aims to retire on the French Riviera.
- Children remain polish resident.
  - No planning in direct line means up to 40% French inheritance tax.
  - French insurance soft regime can lower the taxation to 20%.
  - Insurance planning with a Luxembourg base insurance company before moving to the French Riviera in France may offer
    - *No wealth tax for 5 years*
    - *Softer income tax*
    - *No inheritance tax*



# Unit-linked life insurance in Luxembourg

## Advantages

- Security of the EU framework
- Security provided by the prudential framework in Luxembourg
- Very Large range of assets authorized in the contract
- All the advantages of a domestic insurance contract (taxation, civil laws, commercial protection...)
- Professional secrecy in Luxembourg
- More flexible than local offer
- Very efficient wealth management tool
- Especially for international wealth planning
- You stay focused on your core business (legal or fiscal advice, custody or asset management...)



# **Relocation of Headquarters – a small step with a large impact**

# About us

**Sal. Oppenheim was founded in 1789 and has been owned by the founding family ever since.**

**As an integrated asset management and investment bank, we offer solutions for high net-worth individuals, families, institutional investors and companies.**

**We stand for independence, continuity, discretion and experience.**

**Sal. Oppenheim is the largest independent private banking group in Europe with its headquarters in Luxembourg and key bank subsidiaries in Germany, Switzerland and Austria.**



# Europe's largest independent private banking group

with total assets of almost  
**€ 42 billion\***

equity of more than  
**€ 2 billion\*\***

assets under management  
of **€ 132 billion\***

and approx. **4,200 employees**  
worldwide

\* December 2008

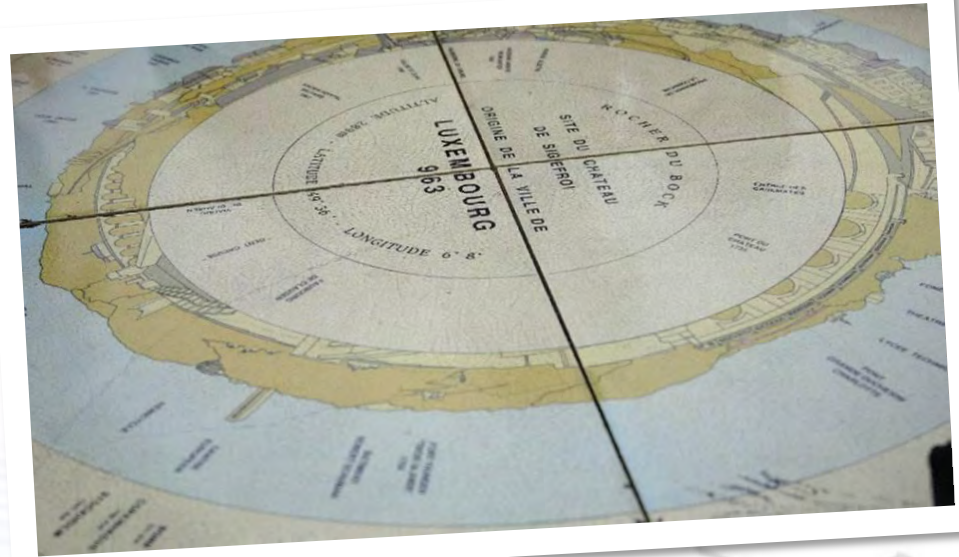
\*\* April 2009



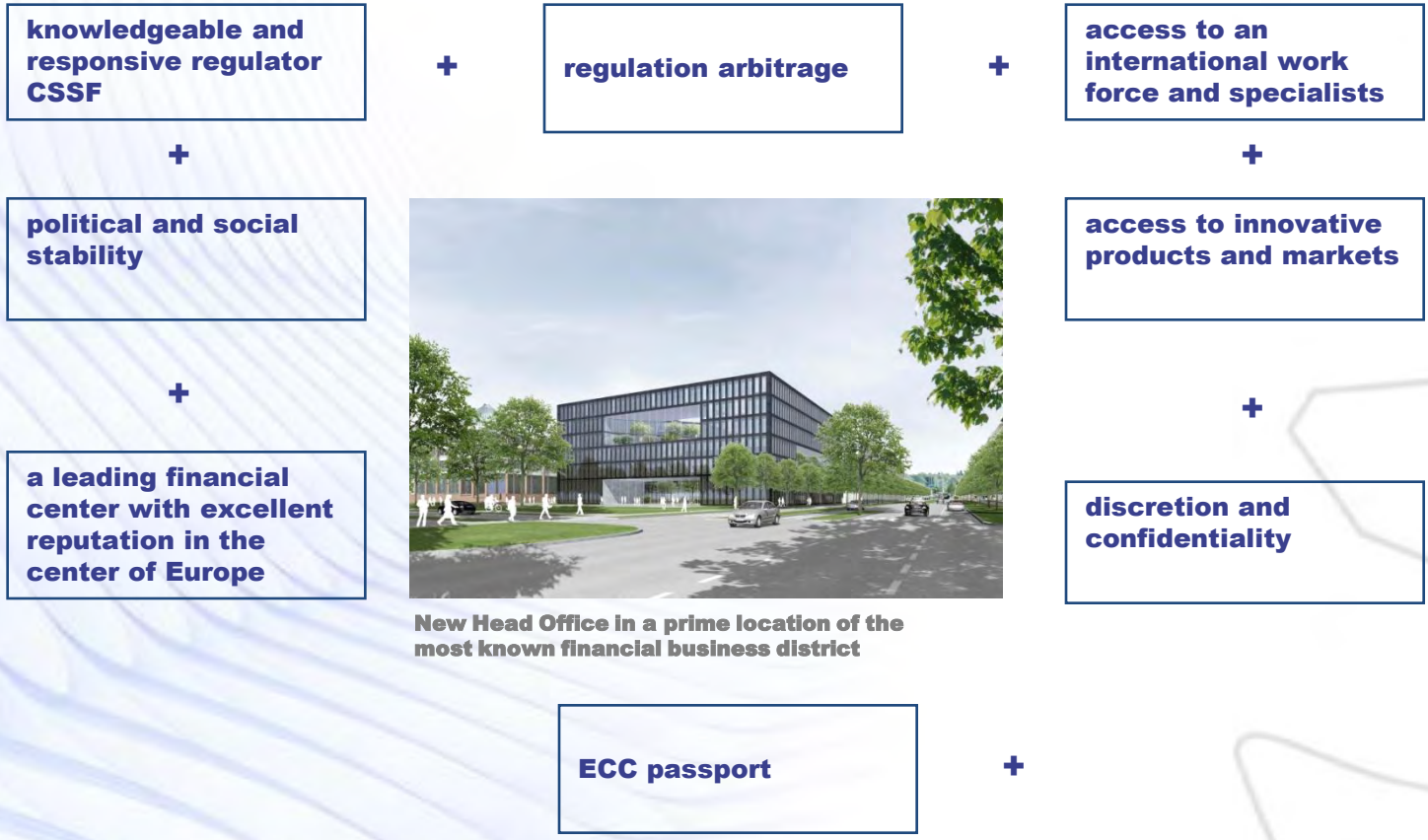
# An association of over 150 years

**1856:**  
**Abraham Oppenheim**  
**co-founds the first**  
**Luxembourg-based**  
**incorporated bank:**  
**“Banque Internationale**  
**à Luxembourg (BIL)”.**

**2007:**  
**Change of company status**  
**for head office: the bank in**  
**Luxembourg becomes the new parent company of the Sal. Oppenheim**  
**Group.**



# Headquarter move – why Luxembourg?



**= platform to win new clients in a globalized financial world**

# Sal. Oppenheim jr. & Cie. S.C.A. Representative Office Warsaw



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